



August 9, 2018

Hon. Stacy L. Ruble, Secretary  
Postal Regulatory Commission  
901 New York Avenue NW, Suite 200  
Washington, D.C. 20268-0001

Dear Mr. Ruble:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the reports of Revenue, Pieces and Weight (RPW) by rate category and special service for Quarter 3 of Fiscal Year (FY) 2018. Each of these reports consists of two parts:

1. Mailing Services (Market Dominant Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for Quarter 3, Fiscal Year 2018, Compared with the Corresponding Period of Fiscal Year 2017, **Public Report**; and
2. Shipping Services (Competitive Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for Quarter 3, Fiscal Year 2018 Compared with the Corresponding Period of Fiscal Year 2017, **Public Report**.

I have uploaded an electronic copy of the combined Public Report to the Public Periodic Reports folder on the United States Postal Service Secure Large File Transfer Web Application portal (USPS SLFT).

As with prior reports in the recent past, I am also submitting restricted versions of the RPW reports for Quarter 3 FY 2018 that disaggregate the international and domestic data pertaining to competitive products (collectively, the "Restricted Report"). The Public Report does not redact information from the Restricted Report, but presents statistics in aggregated categories. The Restricted Report, which I have uploaded to the Non-Public Periodic Reports folder on USPS SLFT, has been marked as restricted and confidential and should not be made public. Attachment 1 to this letter, titled "Application of the United States Postal Service for Non-Public Treatment of Materials," supports submission of the Restricted Report under seal pursuant to 39 C.F.R. Part 3007.

As in previous years, the Quarter 3 FY 2017 or SPLY column of the RPW report contains revised numbers to properly reflect year-over-year changes.

If you have any questions regarding the reports for Quarter 3, FY 2018, do not hesitate to contact me.

Best regards,

/s/

Maria W. Votsch  
Attorney  
Pricing and Product Support

cc: Ms. Taylor

## ATTACHMENT 1

### APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. Part 3007,<sup>1</sup> the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed under seal with the Commission. The materials consist of the Revenue, Pieces, and Weight (RPW) report for the third quarter of FY 2018, to the extent they concern certain market dominant and competitive products, as required by 39 C.F.R. § 3050.25(b). A public version of this report, which shows virtually all market dominant product information, as well as summary information for affected market dominant and competitive product groupings, is included with this filing as a separate Excel file. A non-public version showing all information for market dominant and competitive product groupings is filed under seal. The correspondence between these two versions is explained in the chart on pages 3–4 below.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.201(b)(1)–(b)(8) below.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.**

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to

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<sup>1</sup> PRC Order No. 4679, Order Adopting Final Rules relating to Non-Public Information, Docket No. RM2018-3, June 27, 2018; see *also* Non-Public Information, 83 Fed. Reg. 31,258 (July 3, 2018) (to be codified at 39 CFR Parts 3001, 3004, and 3007).

39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).<sup>2</sup> Because the portions of the materials that the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

**(2) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials, and the identification(s) specified in paragraphs (b)(2)(i) through (iii) of this section (whichever is applicable). For purposes of this paragraph, identification means the name, phone number, and email address of an individual.<sup>3</sup>**

The Postal Service has a proprietary interest in the information contained within the non-public materials. Due to the level of aggregation in RPW reports, the Postal Service believes that no third parties have a proprietary interest in the materials.

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<sup>2</sup> In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that “likely commercial injury” should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 4679, at 16 (reconfirming that the adopted final rules do not alter this long-standing practice); PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

<sup>3</sup> Section 3007.201(b) further states the following:

(i) If the submitter has a proprietary interest in the information contained within the materials, identification of an individual designated by the submitter to accept actual notice of a motion related to the non-public materials or notice of the pendency of a subpoena or order requiring production of the materials.

(ii) If any person other than the submitter has proprietary interest in the information contained within the materials, identification of each person who is known to have a proprietary interest in the information. If such an identification is sensitive or impracticable, an explanation shall be provided along with the identification of an individual designated by the submitter to provide notice to each affected person.

(iii) If both the submitter and any person other than the submitter have a proprietary interest in the information contained within the non-public materials, identification in accordance with both paragraphs (b)(2)(i) and (ii) of this section shall be provided. The submitter may designate the same individual to fulfill the requirements of paragraphs (b)(2)(i) and (ii) of this section.

The Postal Service designates Nabeel R. Cheema, Chief Counsel, to accept actual notice of a motion related to the non-public material or notice of the pendency of a subpoena or order requiring production of the materials. Mr. Cheema's email address is [Nabeel.R.Cheema@usps.gov](mailto:Nabeel.R.Cheema@usps.gov), and his telephone number is 202-268-2989.

**(3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue, would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.**

In connection with this application, the Postal Service has filed the RPW report for the third quarter of FY 2018. A version showing all information for market dominant and competitive products is filed under seal, with a version showing information for virtually all market dominant products, with one exception, and summary information for certain affected market dominant and competitive product groupings filed publicly. The Postal Service maintains that the non-public portions of these materials should remain confidential.

Revenue, volume, and weight data for certain market dominant and competitive product categories are commercially sensitive at the disaggregated level shown in the version of the instant report filed under seal. In the interest of transparency, and consistent with past practice for such reports, the Postal Service has merged each sensitive line of data with the next-highest level of aggregation. The affected lines of data are outlined in the chart below:

<b>Category in Public Version</b>	<b>Categories Rolled in from Non-Public Version</b>
Inbound Intl. Letter-Post Single-Piece & NSA Mail	Inbound International Letter-Post Inbound Intl. Neg. Serv. Agreement Mail
Total Priority Mail Express Mail	Domestic Priority Mail Express Domestic Priority Mail Express Neg. Serv. Agreements

Total First Class Package Service	First-Class Package Service First-Class Package Service NSA First-Class Package Service Mail Fees
Total USPS Retail Ground	USPS Retail Ground Mail USPS Retail Ground Mail Fees
Total Priority Mail	Domestic Priority Mail Domestic Priority Mail Neg. Serv. Agreements Priority Mail Fees Priority Mail Neg. Serv. Agreement Mail Fees
Total Parcel Select Mail	Parcel Select Parcel Select Lightweight Parcel Select Negotiated Serv. Agreement Mail Parcel Select Mail Fees Parcel Select Neg. Serv. Agreement Mail Fees
Total Parcel Return Service Mail	Parcel Return Service Mail Parcel Return Serv. NSA Mail
Other Outbound International Mail	Outbound International Priority Airmail (IPA) Outbound International Surface Airlift (ISAL) Outbound Direct Sacks M-Bags First-Class Package International Service Outbound Intl Negotiated Serv. Agreement Mail
Inbound International	Inbound International Inbound International Negotiated Service Agreement Mail
Other Domestic Special Services	Greeting Cards and Stationery Shipping and Mailing Supplies Address Management Services Post Office Box Service

**(4) Particular identification of the nature and extent of the harm alleged and the likelihood of each harm alleged to result from disclosure.**

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers it quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the revenue, pieces, and weight information to analyze the Postal Service's possible market strengths and weaknesses and to focus sales and marketing efforts on those areas, to

the detriment of the Postal Service. Disclosure of this information would also undermine the Postal Service's position in negotiating favorable terms with potential customers, who would be able to ascertain critical information about relevant product trends (e.g., average revenue per piece, average weight per piece). The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the material filed non-publicly.

**(5) At least one specific hypothetical, illustrative example of each alleged harm.**

Harm: Competitors could use disaggregated product volume, weight, and revenue distribution information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor assesses the lucrativeness of certain services on a per-piece or per-pound basis, or the Postal Service's relative concentration in certain service offerings. The competitor then targets its advertising and sales efforts at actual or potential customers in market segments where the Postal Service appears to have made headway, hindering the Postal Service's ability to reach out effectively to these customers.

This example applies even more strongly for information split between Negotiated Service Agreement (NSA) mail and other mail in the same category, because the competitor would assess the lucrativeness and market strength of the Postal Service's offerings to a small subset of NSA customers and foreign post operators, thereby gaining somewhat more particularized insight into the characteristics

of customers that the Postal Service specifically targets with its own contractual sales efforts.

Harm: Foreign postal administrations, could use disaggregated product volume, weight, and revenue distribution information to undermine the Postal Service's leverage in negotiations.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. A foreign postal administration's employee monitors the filing of this information and passes the information along to its international postal relations functions. The foreign postal administration assesses the Postal Service's average per-item or per-pound revenue for categories about which it is negotiating with the Postal Service, with particular focus on categories known to be included in NSAs with other foreign postal administrations. The foreign postal administration uses the average revenue information as a justification for pricing demands in negotiations, refusing to accept a higher price without steeper concessions than the Postal Service might otherwise have been able to achieve. The Postal Service's ability to negotiate the best value from the bargain suffers as a result.

**(6) The extent of protection from public disclosure alleged to be necessary.**

The Postal Service maintains that the portions of the materials filed non-publicly and relating to competitive products should be withheld from persons involved in competitive decision-making in the relevant markets for competitive delivery products (including private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for these or similar products should not be provided access to the non-public materials.



**(7) The length of time for which non-public treatment is alleged to be necessary with justification thereof.**

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless otherwise provided by the Commission. 39 C.F.R. § 3007.401(a). However, because the Postal Service's relationships with customers often continue beyond ten years, the Postal Service intends to oppose requests for disclosure of these materials pursuant to 39 C.F.R. § 3007.401(b-c).

**(8) Any other factors or reasons relevant to support the application.**

None.

***Conclusion***

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.